

**S.E.C. RULE 15c2-12
ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006**

The State of California (the "State"), acting by and through the State Treasurer's Office of the State of California, hereby provides its annual report for the fiscal year ended June 30, 2006 in connection with the following:

Bond Issue

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
San Bernardino Joint Powers Financing Authority Lease Revenue Bonds (State of California Department of Transportation Lease) 1995 Series A	12/1/95	1/4/96

The base CUSIP number for the bond listed above is 79675N - _ _ _.

Note: The base CUSIP number provided is for the convenience of Bondholders. The State Treasurer's Office is not responsible for the accuracy or completeness of such numbers.

Annual Report

The State's "annual report" (as defined in the Continuing Disclosure Agreement for the Bonds) for the fiscal year ended June 30, 2006 consists of:

1. The Audited Basic Financial Statements of the State for fiscal year ended June 30, 2006, which is incorporated herein attached as Exhibit 1.
2. The financial information is contained in Appendix A, which is incorporated herein attached as Exhibit 2. The Appendix A as attached is an appendix to the Preliminary Official Statement, dated March 21, 2007, with respect to State of California General Obligation Refunding Bonds.
3. Information concerning the California Department of Transportation's primary programs and budget sources and the financial condition of the State Highway Account. This information is provided in the tables in Exhibit 3 attached hereto.
4. The insurance required by the Lease relating to the Bonds is in effect.

Other Matters

This annual report is provided solely for purposes of the Continuing Disclosure Agreement. The filing of this report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the State of California (the "State"), the Department of Transportation (the "Department") or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this report), or that no other information exists which may have a bearing on the State's or the Department's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the State or the Department.

Dated: March 30, 2007

State of California

Original signed by Lai Louie
Deputy State Treasurer
For State Treasurer, Bill Lockyer

Exhibit 3

**DEPARTMENT OF TRANSPORTATION
PRIMARY PROGRAMS AND BUDGET SOURCES
(In Thousands)**

Programs:

	<u>2005-06</u>
Aeronautics	\$9,449
Highway Transportation	10,625,996
Mass Transportation	737,453
Transportation Planning	159,538
Administration	295,441
Equipment Service Program Costs	184,169
TOTAL	<u><u>\$12,012,046</u></u>

Sources of Funds:

General Fund	\$1,358,510
Aeronautics Account, State Transportation Fund	6,331
State Highway Account, State Transportation Fund	3,206,292
Bicycle Transportation Account, State Transportation Fund	7,211
Public Transportation Account, State Transportation Fund	130,113
Local Airport Loan Account	2,955
Environmental Enhancement and Mitigation Program Fund	
Historic Property Maintenance Fund	1,500
Equipment Services Fund	191,968
Toll Bridge Seismic Retrofit Account, State Transportation Fund	848,168
Seismic Retrofit Bond Fund of 1996	28,232
Federal Trust Fund	3,274,045
Reimbursements	3,061,722
Local Transportation Loan Account, State Highway Account, State Transportation Fund	0
Traffic Congestion Relief Fund	846,243
Transportation Investment Fund	-985,232
Transportation Deferred Investment Fund	0
Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006	0
Corridor Mobility Improvement Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006	0
Trade Corridors Improvement Fund	0
Transportation Facilities Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006	0
State-Local Partnership Program Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006	0
Local Bridge Seismic Retrofit Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006	0
Highway-Railroad Crossing Safety Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006	0
Highway Safety, Rehabilitation, and Preservation Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006	0
Transportation Financing Subaccount, State Highway Account, State Transportation Fund	33,988
TOTAL	<u><u>\$12,012,046</u></u>

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Source: 2007-08 Proposed Governor's Budget

2/28/2007

2660 Department of Transportation

The mission of the California Department of Transportation (Caltrans) is to improve mobility across California through safety, project delivery, flexibility, and stewardship.

3-YR EXPENDITURES AND POSITIONS (Summary of Program Requirements)

		Positions			Expenditures		
		2005-06	2006-07	2007-08	2005-06*	2006-07*	2007-08*
10	Aeronautics	25.3	25.7	25.7	\$9,449	\$8,501	\$8,693
20	Highway Transportation	17,820.7	18,712.7	18,754.1	10,625,996	9,554,208	11,336,749
20.10	Highway Transportation-Capital Outlay Support	10,249.1	10,682.6	10,642.6	1,397,677	1,618,705	1,634,467
20.20	Capital Outlay Projects	0.3	-	-	6,177,597	4,487,048	5,665,208
20.30	Highway Transportation-Local Assistance	289.1	312.1	322.1	1,870,844	2,053,138	2,537,863
20.40	Highway Transportation-Program Development	252.4	254.5	254.5	59,950	74,127	74,935
20.65	Highway Transportation-Legal	186.2	188.2	188.2	88,269	77,780	80,163
20.70	Highway Transportation-Operations	1,448.5	1,455.9	1,479.9	173,423	196,911	181,053
20.80	Highway Transportation-Maintenance	5,395.1	5,819.4	5,866.8	858,236	1,046,499	1,163,060
30	Mass Transportation	140.5	148.0	153.0	737,453	1,113,002	873,938
40	Transportation Planning	818.3	813.6	828.6	159,538	197,411	179,476
50	Administration	1,354.4	1,326.2	1,333.2	295,441	345,599	360,942
60.10	Equipment Service Program Costs	640.9	663.7	663.7	184,169	173,266	173,074
60.20	Distributed Equipment Service Program Costs	-	-	-	-	-173,266	-173,074
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		20,800.1	21,689.9	21,758.3	\$12,012,046	\$11,218,721	\$12,759,798
FUNDING					2005-06*	2006-07*	2007-08*
0001	General Fund				\$1,358,510	\$2,642,668	\$1,558,396
0041	Aeronautics Account, State Transportation Fund				6,331	8,125	7,864
0042	State Highway Account, State Transportation Fund				3,206,292	3,846,181	4,058,144
0045	Bicycle Transportation Account, State Transportation Fund				7,211	9,245	5,010
0046	Public Transportation Account, State Transportation Fund				130,113	704,253	211,840
0052	Local Airport Loan Account				2,955	340	354
0183	Environmental Enhancement and Mitigation Program Fund				-	10,000	-
0365	Historic Property Maintenance Fund				1,500	1,507	1,557
0608	Equipment Service Fund				191,968	-	-
0650	Toll Bridge Seismic Retrofit Account, State Transportation Fund				848,168	-	-
0653	Seismic Retrofit Bond Fund of 1996				28,232	36,574	36,699
0890	Federal Trust Fund				3,274,045	3,484,477	4,054,454
0995	Reimbursements				3,061,722	1,097,807	1,197,918
2501	Local Transportation Loan Account, State Highway Account, State Transportation Fund				-	1,000	1,000
3007	Traffic Congestion Relief Fund				846,243	741,316	952,561
3008	Transportation Investment Fund				-985,232	-1,135,918	-785,396
3093	Transportation Deferred Investment Fund				-	-788,750	-69,250
6053	Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006				-	-	28,050
6055	Corridor Mobility Improvement Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006				-	100,000	317,050
6056	Trade Corridors Improvement Fund				-	15,000	170,000
6058	Transportation Facilities Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006				-	262,000	340,000
6060	State-Local Partnership Program Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006				-	-	170,000
6062	Local Bridge Seismic Retrofit Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006				-	5,000	8,500

* Dollars in thousands, except in Salary Range.

DEPARTMENT OF TRANSPORTATION
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT (0042)
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 2006

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ASSETS

CASH:

In State Treasury	\$	213	
In Agency Accounts		23,004,593	23,004,807

DEPOSITS IN SURPLUS MONEY INVESTMENT FUND:		488,263,000	488,263,000
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RECEIVABLES:

Reimbursements		2,990,994,905	
Revenue		7,313,392	
Others		3,785,281	
Interfund Receivable		203,000,000	
Due from Other Funds/Federal Government		235,494,254	
Provision for Deferred Receivables		(10,667,261)	3,429,920,571

PREPAID EXPENSES:

Prepayment to Other Funds/Appropriations		1,794,741,576	
Expense Advance		2,396,367	
Other Prepaid Expenses		527,723	
Inventories		42,207,405	1,839,873,071

Total Assets:	\$	5,781,061,448	
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LIABILITIES, RESERVES, AND FUND BALANCE

CURRENT LIABILITIES:

Accounts Payable	\$	4,348,356,686	
Due to Other Funds/Appropriations		136,555,926	
Revenue Collected in Advance		4,923,262	
Deposits		7,182,784	4,497,018,658

RESERVES:

Reserve for Advances		394,741,576	
Reserves - Other		42,207,405	
Reserves- Interfund		203,000,000	639,948,981

FUND BALANCE - UNAPPROPRIATED:			644,093,809
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TOTAL LIABILITIES, RESERVES, AND FUND BALANCE:	\$	5,781,061,448	
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DEPARTMENT OF TRANSPORTATION (2660)
 COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
 STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT (0042)
 Fiscal Year Ended June 30, 2006

FUND BALANCE, JUNE 30, 2003 \$ 1,009,216,643

REVENUES:

MOTOR VEHICLES REGISTRATION (WEIGHT FEES)	938,560,100
OTHER REGULATORY LICENSES AND PERMITS	10,605,515
SALE OF DOCUMENTS	698,056
INCOME FROM SURPLUS MONEY INVESTMENTS	24,191,456
INCOME FROM CONDEMNATION DEPOSIT FUND INVESTMENTS	4,376,298
RENTALS OF STATE PROPERTY	39,110,794
MISCELLANEOUS REVENUE FROM USE OF PROPERTY & MONEY	18,115,049
ESCHEAT-CHECKS, WARRENTS	283,490
MISCELLANEOUS REVENUE	6,913,964

1,042,854,722

REFUNDS TO REVERTED APPROPRIATION

301,162

OPERATING TRANSFERS IN:

HIGHWAY USERS TAX ACCOUNT, TRANSPORTATION TAX FUND
 (GASOLINE AND DIESEL FUEL TAX)

2,103,929,159

MOTOR VEHICLE ACCT-SMIF

6,376,009

TRANSP PLAN & DEV ACCT

TRAFFIC CONGESTION RELIEF FUND

151,000,000

STEPHEN P. TEALE DATA CTR

0

GENERAL FUND INTEREST POSTED AT SCO NOT IN TRAMS

(5,259,024)

HUTA (PRIOR YEAR)

2,256,046,144

3,299,202,028

OPERATING TRANSFER OUT:

PTA-LOAN

(9,426,000)

TRAFFIC CONGESTION RELIEF FUND

2,107,925

PUBLIC TRANSPORTATION ACCOUNT

102,589,000

Toll bridge

292,342,000

Local Government

0

387,612,925

EXPENDITURES:

STATE OPERATIONS:

CALIFORNIA TRANSPORTATION COMMISSION
 DEPARTMENT OF TRANSPORTATION
 DEPARTMENT OF CONSERVATION
 DEPARTMENT OF PERSONNEL ADMINISTRATION
 MISC. AGENCY
 PUBLIC UTILITIES COMMISSION
 BOARD OF CONTROL
 FOOD AND AGRICULTURE
 UC-EARTHQUAKE RISK
 CALIFORNIA HIGHWAY PATROL
 DEPART. OF MOTOR VEHICLE
 HIGH-SPEED RAIL AUTHORITY
 CMIA
 MISC AGENCY-LOCAL ASSISTANCE
 LOAN REPAYMENT/MVA
 APPORTIONMENT OF LOCAL TRANS. FUNDING
 OTHER TRANSFER-ADMINISTRATION

601,687

2,181,027,741

11,849

2,606,252

2,521,954

18,884

1,000,000

51,745,793

40,606,267

624,878

118,837

(8,654)

1,619,831

LOCAL ASSISTANCE:

DEPARTMENT OF TRANSPORTATION
 SHARE REVENUE RENTAL INCOME PAYMENTS TO COUNTIES

118,716,805

CAPITAL OUTLAY:

DEPARTMENT OF TRANSPORTATION

932,302,932

3,333,515,056

3,721,127,982

ADJUSTMENTS TO PRIOR YEAR APPROPRIATIONS (SUBTRACTION)

(56,803,120)

FUND BALANCE AS OF JUNE 30, 2006

\$ 644,093,809

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**DEPARTMENT OF TRANSPORTATION (2660)
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
STATE HIGHWAY ACCOUNT FUND (0042)
AS OF JUNE 30, 2006**

UCM Description	Balance 07/01/05	Additions	Deductions	Balance 06/30/06
Land ^a	\$11,137,368,760.45	\$288,194,424.11	\$9,030,393.04	\$11,416,532,791.52
Buildings	\$508,227,855.53	\$59,578,981.16	\$0.00	\$567,806,836.69
Equipment	\$167,256,864.98	\$10,656,045.75	\$4,436,903.90	\$173,476,006.83
Improvements Other Than Buildings ^b	\$55,059,471,067.81	\$710,636,501.54	\$44,616,086.05	\$55,725,491,483.30
Construction Work In Progress ^b	\$2,576,489,726.50	\$2,170,468,242.30	\$638,210,296.61	\$4,108,747,672.19
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Total	\$69,448,814,275.27	\$3,239,534,194.86	\$696,293,679.60	\$71,992,054,790.53

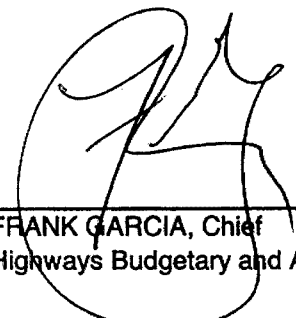
I certify (or declare) under penalty of perjury that the foregoing is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (Commencing with Section 1090).

Subscribed and executed this 14th day of August, 2006 at Sacramento, California.

Note:

a - Infrastructure land: beginning balance, \$11,010,346,315.67; additions, \$277,644,993.21; deductions, \$9,030,393.04; and ending balance, \$11,278,960,915.84.

b - Infrastructure only.



FRANK GARCIA, Chief
Highways Budgetary and Accounting Branch